

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Roscommon County Transportation Authority	County Roscommon
Audit Date 9/30/05	Opinion Date 12/21/05	Date Accountant Report Submitted to State: 2/7/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2006.02.07 21:37:25 -05'00'	City Roscommon	State MI
Accountant Signature 		ZIP 48653	Date 2/7/06

**ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
AUDIT REPORT
SEPTEMBER 30, 2005**

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY

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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

December 21, 2005

Board of Directors
Roscommon County Transportation Authority
2665 S. Townline Road
Prudenville, MI 48651

We have audited the accompanying financial statements of the Roscommon County Transportation Authority, as of and for the year ended September 30, 2005, as listed in the table of contents. These statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

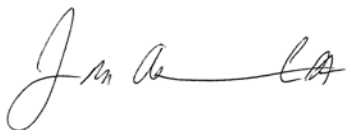
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of The United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roscommon County Transportation Authority, as of September 30, 2005, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 21, 2005, on our consideration of the Roscommon County Transportation Authority internal control over financial reporting and our test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management discussion and analysis and budgetary comparison information on pages 3-7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Roscommon County Transportation Authority basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Roscommon County Transportation Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENTS'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2005

Using this Annual Report

Our discussion and analysis of the Roscommon County Transportation Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances.

Overview of the Financial Statements

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Authority:

- . The first two statements are financial statements that provide both long-term and short-term information about the Authority's overall financial status. These statements report information about the Authority, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The two statements report the Authority's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities—this is one way to measure the Authority's financial health or position.
- . The remaining statement is a Statement of Cash Flows to demonstrate the activities of the Authority as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

Reporting the Transit Authority as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and change in Net Assets report information about the Authority, as a whole, and about its activities in a way that helps answer the question of whether the Authority, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Authority's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets regardless of when cash is received and paid.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

The two statements, mentioned above, report the Authority's net assets and how they have changed. The reader can think of the Authority's net assets (the difference between assets and liabilities) as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the County's property tax base, the condition of the Authority's vehicles, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Transit Authority as Whole

The Authority's net assets increased approximately 3%, or \$52,760, from \$2,066,110 to \$2,118,870 for the year ended September 30, 2005. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position improved in 2005. The unrestricted net assets increased by \$101,522 and the net contributed equity and investment in capital assets decreased by \$48,762. The primary reasons for the net increase was the increase of \$152,144 in capital grants and other revenue line items of \$149,476 totaling \$301,620 and net increase of expenses of \$149,007.

The net assets as of the year ended September 30, 2005, are as follows:

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$1,539,141	\$1,607,153	\$ 68,012	4.42
Capital Assets	<u>807,925</u>	<u>759,163</u>	<u>(48,802)</u>	<u>(6.04)</u>
Total Assets	<u>2,347,066</u>	<u>2,366,316</u>	<u>19,250</u>	<u>0.82</u>
Current Liabilities	219,308	185,179	(34,129)	(15.56)
Noncurrent Liabilities	<u>61,648</u>	<u>62,267</u>	<u>619</u>	<u>1.00</u>
Total Liabilities	<u>280,956</u>	<u>247,446</u>	<u>(33,510)</u>	<u>(11.93)</u>
Net Assets				
Contributed equity	193,945	93,042	(100,903)	(52.03)
Invested in Capital Assets	613,980	666,121	52,141	8.49
Unrestricted	<u>1,258,185</u>	<u>1,359,707</u>	<u>101,522</u>	<u>8.07</u>
Total Net Assets	<u>\$2,066,110</u>	<u>\$2,118,870</u>	<u>\$ 52,760</u>	<u>2.55</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Changes in Net Assets

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 183,746	\$ 209,917	\$ 26,171	14.24
Nonoperating Revenue				
Taxes Levied for Authority	498,070	525,167	27,097	5.44
State of Michigan Operating Grants	602,500	617,933	15,433	2.56
Federal Operating Grants	153,151	212,738	59,587	38.91
County Grants	28,709	13,640	(15,069)	(52.49)
Capital Grants	10,000	162,144	152,144	1521.44
Interest	14,025	24,773	10,748	76.63
Gain on Sale of Fixed Assets	(1,583)	23,926	25,509	1611.43
Total Revenue	<u>1,488,618</u>	<u>1,790,238</u>	<u>301,620</u>	<u>20.26</u>
Operating Expense				
Salaries and Wages	679,712	751,819	72,107	10.61
Fringe Benefits	311,164	373,215	62,051	19.94
Depreciation	254,402	218,780	(35,622)	(14.00)
Other	<u>339,587</u>	<u>393,664</u>	<u>54,077</u>	<u>15.92</u>
Total Operating Expense	<u>1,584,865</u>	<u>1,737,478</u>	<u>152,613</u>	<u>9.63</u>
Income (Loss)	(96,247)	52,760	149,007	154.82
Beginning Net Assets	<u>2,162,357</u>	<u>2,066,110</u>	<u>(96,247)</u>	<u>(4.45)</u>
Ending Net Assets	<u>\$2,066,110</u>	<u>\$2,118,870</u>	<u>\$ 52,760</u>	<u>2.55</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENTS'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Capital Asset and Debt Administration

At September 30, 2005, the Authority had \$759,164 invested in capital assets. This amount represents a net decrease (including additions and deductions) of \$48,761 or 6.03% as follows:

	<u>2004</u>	<u>2005</u>	<u>Total Percentage Change 2004-2005</u>
Capital Assets Not Being Depreciated			
Land	\$ -0-	\$ -0-	0.00
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Building	805,906	814,406	1.05
Vehicles	1,090,158	1,125,163	3.21
Equipment	<u>340,483</u>	<u>340,483</u>	<u>0.00</u>
Subtotal	<u>2,236,547</u>	<u>2,280,052</u>	<u>1.94</u>
Total Capital Assets	<u>2,236,547</u>	<u>2,280,052</u>	<u>1.94</u>
Total Accumulated Depreciation	<u>1,428,622</u>	<u>1,520,888</u>	<u>6.46</u>
Total Net Capital Assets	<u>\$ 807,925</u>	<u>\$ 759,164</u>	<u>(6.03)</u>

Please refer to the notes of the financial statements for more detailed information.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2005

Economic Factors and Next Year's Budget

Overview

The financial position of Roscommon County Transportation Authority remains stable as reported in the annual audit ending fiscal year September 30, 2005. There were no OSHA personal injury loss of work claims to report and there were no major vehicular accidents. The system is not involved in any litigation at this time and is not aware of any litigation pending. Our staffing level has reduced slightly in an effort to be more cost effective. The Authority's capital assets are routinely upgraded and or repaired thereby insuring the value of the capital assets as reported in the annual audit.

Financial Status

The Roscommon County Transportation Authority remains financially stable as of the audit dated September 30, 2005. In the event State and Federal funding were to cease Roscommon County Transportation Authority could continue operations for approximately 6 (six) months with the ability to shutdown the program in a responsible manner without leaving any unmet financial obligations of the transportation program.

The Roscommon County Transportation Authority replaced the Executive Director as well as the Financial Coordinator during the last quarter of 2004/2005 resulting in certain departments being restructured. This restructuring resulted in a more efficient administration of the Authority. State and Federal Operating Revenue actually increased during the fiscal year along with State Capital Assistance. Future reductions in State Capital Assistance may require the need to address repair/replacement through strategic planning. Still remaining at the top of our concerns is the double digit increases in the employer provided health care and high fuel costs without any relief in site. Maintaining constant vigilance over the line item expenditures in these categories becomes a daily routine.

Roscommon County residents, elected officials, and the Roscommon County Transportation Authority must resolve to engage in some strong lobbying of our State and Federal legislators convincing them to prevent further funding reductions to a program which is so greatly needed by the residents of our county.

Maureen W. Daugherty
Executive Director

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
ENTERPRISE FUND
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

ASSETS

Current	
Cash and investments	\$ 1,229,016
Accounts receivable	5,859
Due from governmental units	<u>372,278</u>
Total Current Assets	1,607,153
Property and Equipment, less accumulated depreciation	<u>759,163</u>
Total Assets	<u>2,366,316</u>

LIABILITIES

Current Liabilities	
Accounts payable	30,851
Accrued payroll	14,059
Due to other funds	19,659
Due to other governmental units	<u>120,610</u>
Total Current Liabilities	185,179
Noncurrent Liabilities	
Accrued compensated absences	<u>62,267</u>
Total Liabilities	<u>247,446</u>

NET ASSETS

Contributed capital	93,042
Invested in Capital Assets, net of related debt	666,121
Unrestricted	<u>1,359,707</u>
Total Net Assets	<u>\$ 2,118,870</u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2005

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 209,917
Total operating revenues	<u>209,917</u>
Operating Expenses	
Salaries and wages	751,819
Fringe benefits	373,215
Services	13,770
Materials and supplies	229,149
Utilities	30,656
Casualty and liability insurance	56,784
Miscellaneous	63,305
Depreciation	<u>218,780</u>
Total operating expenses	<u>1,737,478</u>
Operating income (loss)	<u>(1,527,561)</u>
Non-operating Revenues (expenses)	
Property taxes	525,167
Federal	212,738
State	617,933
State and Federal capital grants	162,144
County	13,640
Interest/investment income	24,773
Gain on sale of fixed assets	<u>23,926</u>
Total non-operating revenues	<u>1,580,321</u>
Change in Net Assets	52,760
Net Assets - October 1, 2004	<u>2,066,110</u>
Net Assets - September 30, 2005	<u><u>\$ 2,118,870</u></u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR YEAR ENDED SEPTEMBER 30, 2005

Cash flows from operating activities	
Cash receipts from operations	\$ 210,122
Cash payments for supplies and services	(411,589)
Cash payments for employee services and fringes	<u>(1,146,955)</u>
Net cash provided (used) by operating activities	<u>(1,348,422)</u>
Cash flows from noncapital financing activities	
Property taxes	525,167
Federal operating grants	212,738
State operating grants	380,824
County operating grants	<u>13,640</u>
Net cash provided (used) by noncapital financing activities	<u>1,132,369</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	162,144
Purchase of fixed assets	(162,144)
Sale of Fixed Assets	<u>24,551</u>
Net cash provided (used) by capital and related financing activities	<u>24,551</u>
Cash flows from investing activities	
Investment income	<u>24,773</u>
Net cash provided (used) by financing activities	<u>24,773</u>
Net increase (decrease) in cash and cash equivalents	(166,729)
Cash and Cash Equivalents - October 1, 2004	<u>1,395,745</u>
Cash and Cash Equivalents - September 30, 2005	<u>\$ 1,229,016</u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND (CONTINUED)
FOR YEAR ENDED SEPTEMBER 30, 2005

Reconciliation of operating income to net
cash provided by operating activities:

Operating income (loss) \$(1,527,561)

Adjustments to reconcile operating income to net
cash provided by operating activities:

Depreciation	218,780
Decrease (increase) in accounts receivable	205
Increase (decrease) in accounts payable	(11,589)
Increase (decrease) in accrued liabilities	<u>(28,257)</u>

Total adjustments 179,139

Net cash provided (used) by operating activities \$ 1,348,422

The accompanying notes are an integral part of the financial statements.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Authority was organized in 2004 under Public Act 196 of 1986 as a successor to the Roscommon Mini-Bus System. The Authority is a separate legal and administrative unit of government. The purpose of the Authority is to provide public transit services to the general public within Roscommon County.

NOTE B - DESCRIPTION OF FUNDS

Enterprise Fund

The Authority Operations Fund is classified as an Enterprise Fund to conform to management requirements and State regulations. An Enterprise Fund is used to report operations that provide services which are financed by user charges, of activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Enterprise Funds use the accrual basis of accounting.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Roscommon County Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Authority. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Inventories - Inventories of replacement parts are not maintained and fuel is expensed when purchased. Office supplies are not included in inventories.

Fixed Assets and Depreciation - Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the Roscommon County's Trust and Agency Fund. The Authority subsequently receives its portion of the levy from this fund.

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Balance 10/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/05</u>
Building and Improvements	\$ 805,906	\$ 8,500	\$ -0-	\$ 814,406
Vehicles	1,090,158	162,144	127,139	1,125,163
Shop Equipment	106,896	-0-	-0-	106,896
Office Equipment	233,587	-0-	-0-	233,587
Totals	<u>\$ 2,236,547</u>	<u>\$ 170,644</u>	<u>\$ 127,139</u>	\$ 2,280,052
Accumulated Depreciation	<u>\$ 1,428,622</u>	<u>\$ 218,780</u>	<u>\$ 126,514</u>	1,520,888
Net Property and Equipment				<u>\$ 759,164</u>

Depreciation expense for fiscal year ending September 30, 2005 was \$218,780.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE E - PENSION PLAN

The Authority employees participate in the overall general Roscommon County retirement plan. A description of that plan follows:

Description of Plan and Plan Assets

Roscommon County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement Systems (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirements are computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent time the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a): MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Annual Pension Cost

During the fiscal year ended December 31, 2004, Roscommon County's contributions totaling \$519,263 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE E - PENSION PLAN (CONTINUED)

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$ 382,646	100%	\$ -0-
2003	462,237	100%	-0-
2004	519,263	100%	-0-

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2002	\$ 9,558,529	\$ 11,468,681	\$ 1,910,152	83%	\$ 4,234,930	45%
2003	10,495,937	12,346,516	1,850,579	85%	4,519,090	41%
2004	10,451,319	12,740,755	2,289,436	82%	4,085,370	56%

NOTE F - COMPENSATED ABSENCES

The current portion of compensated absences benefits are recorded as expenditures. Employees are eligible to receive $\frac{1}{2}$ of sick pay benefits and 100% of vacation pay benefits accrued at year-end.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE G - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$1,229,016	Petty Cash	\$ 200
		Checking and Savings Accounts	122,189
		Certificate of Deposits	350,000
		Investments	<u>756,627</u>
Total	<u>\$1,229,016</u>		<u>\$1,229,016</u>

Deposits - At year end, the carrying amount of the Authority's deposits was \$472,189 and the bank balance was \$504,740. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, approximately 42% of the total bank balance was covered by federal depository insurance.

Investments - Act 217, PA 1982, authorizes the County Treasurer to deposit and invest in the following for the Authority:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States government or Federal agency obligation repurchase agreements
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE G - CASH AND INVESTMENTS (CONTINUED)

The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County Treasurer an agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the County's name.

	Category			Carrying	Market
	1	2	3	amount	Value
Commercial Paper	\$ -0-	\$ -0-	\$ 429,538	\$ 429,538	\$ 429,538
Total Categorized Investments	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 429,538</u>	429,538	429,538
Non-Risk Categorized Bank Investment Pools				<u>327,089</u>	<u>327,089</u>
Total				<u>\$ 756,627</u>	<u>\$ 756,627</u>

NOTE H - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Authority, to purchase buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$100,278.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2005 \$162,144 of State/Federal Capital Grants were recorded as revenue.

NOTE I - CAPITAL GRANTS

The Transit has contracted with federal and state agencies for grant funds to purchase facilities and equipment. All of the monies that the Authority is now eligible to receive have not yet been disbursed to them, as the projects have not yet been completed. As of September 30, 2005, \$37,491 is still available to the Authority under those grants.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2005

NOTE J - RISK MANAGEMENT

The Transit Authority is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The Transit Authority participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of MMRMA is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The Transit Authority makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The Transit Authority is a state pool member and has deductibles which differ for each type of coverage.

The Transit Authority has insurance coverage for workers' compensation provided by the Michigan Counties Worker's Comp Fund.

SUPPLEMENTAL INFORMATION

SCHEDULE 1

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2005

Operating Revenues

Demand-response (farebox)	\$ <u>209,917</u>
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Total Operating Revenues	<u><u>\$ 209,917</u></u>
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SCHEDULE 2

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
OPERATING EXPENSES
YEAR ENDED SEPTEMBER 30, 2005

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 439,770	\$ -0-	\$ -0-	\$ 439,770
Other salaries and wages	103,258	112,750	96,041	312,049
Fringe Benefits	272,104	60,541	40,570	373,215
Services	-0-	13,091	679	13,770
Materials and Supplies Consumed				
Fuel and lubricants	146,584	-0-	-0-	146,584
Tires	-0-	9,669	-0-	9,669
Other materials and supplies	263	56,889	15,744	72,896
Utilities	-0-	-0-	30,656	30,656
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	56,784	-0-	-0-	56,784
Miscellaneous Expenses				
Lease / Rentals	1,661	-0-	-0-	1,661
Travel and meetings	-0-	-0-	9,997	9,997
Advertising/promotion media	3,667	-0-	-0-	3,667
Legal & Professional	-0-	-0-	29,953	29,953
Other	2,237	-0-	15,790	18,027
Depreciation	<u>190,812</u>	<u>7,313</u>	<u>20,655</u>	<u>218,780</u>
Total Expenses	<u>\$ 1,217,140</u>	<u>\$ 260,253</u>	<u>\$ 260,085</u>	<u>\$ 1,737,478</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NONOPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2005

Local Operating Grants

Tax Levy	\$ 525,167
Administrative Services - County Contribution	<u>13,640</u>
Subtotal Local Operating Grants	<u>538,807</u>

State of Michigan Operating Grants

Formula Operating Assistance (Act 51)	617,171
R-Tap	<u>762</u>
Subtotal State of Michigan Operating Grants	<u>617,933</u>

Federal Operating Grants

U.S. DOT Operating Grant - Section 5311	<u>212,738</u>
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State Capital Grants	<u>162,144</u>
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Interest Income	<u>24,773</u>
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Gain on Sale of Assets	<u>23,926</u>
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Total Nonoperating Revenues	<u><u>\$ 1,580,321</u></u>
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SCHEDULE 4ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF CONTRIBUTED EQUITY
YEAR ENDED SEPTEMBER 30, 2005

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Balance, October 1, 2004	\$ 43,278	\$ 150,667	\$ 193,945
Deduct			
Net book value of vehicles purchased with Capital Contracts sold	(125)	(500)	(625)
Depreciation on assets purchased from contributed equity	<u>(21,491)</u>	<u>(78,787)</u>	<u>(100,278)</u>
Balance, September 30, 2005	<u>\$ 21,662</u>	<u>\$ 71,380</u>	<u>\$ 93,042</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
CAPITAL CONTRACTS
YEAR ENDED SEPTEMBER 30, 2005

Grantor: State of Michigan - Department of Transportation

Contract or Project Number:	<u>Grant Amount</u>	<u>Previously Earned</u>	<u>Current Earned</u>	<u>Amount Remaining</u>
# 2005-0345/Z3	\$ 126,750	\$ -0-	\$ 94,944	\$ 31,806
# 2005-0345/Z4	<u>72,885</u>	<u>-0-</u>	<u>67,200</u>	<u>5,685</u>
	<u>\$ 199,635</u>	<u>\$ -0-</u>	<u>\$ 162,144</u>	<u>\$ 37,491</u>

SCHEDULE 6

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
EXPENSES BY CONTRACT AND GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2005

	<u>Section 5311</u>	<u>Total</u>
Labor	\$ 751,819	\$ 751,819
Fringe benefits	373,215	373,215
Services	13,770	13,770
Materials and supplies consumed	229,149	229,149
Utilities	30,656	30,656
Casualty and liability costs	56,784	56,784
Miscellaneous	63,305	63,305
Depreciation	<u>218,780</u>	<u>218,780</u>
Total	1,737,478	1,737,478
Less		
Ineligible Expenses	<u>135,634</u>	<u>135,634</u>
Total Eligible Expenses	<u><u>\$ 1,601,844</u></u>	<u><u>\$ 1,601,844</u></u>

SCHEDULE 7

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2005

	2005-0345/Z5 Federal Section 5311	State Operating Assistance
Expenses		
Labor	\$ 751,819	\$ 751,819
Fringe benefits	373,215	373,215
Services	13,770	13,770
Materials & supplies	229,149	229,149
Utilities	30,656	30,656
Casualty & liability costs	56,784	56,784
Miscellaneous	63,305	63,305
Depreciation	<u>218,780</u>	<u>218,780</u>
Total Expense	1,737,478	1,737,478
Less Ineligible Expenses		
Depreciation	130,960	130,960
R-TAP	762	762
MPTA Dues	112	112
Annual Audit Fees	<u>3,800</u>	<u>-0-</u>
Net Eligible Expenses	<u>\$ 1,601,844</u>	<u>\$ 1,605,644</u>
Maximum Section 5311 Reimbursement (12.40%) not to exceed \$201,585	<u>\$ 198,629</u>	
State Operating Assistance		<u>\$ 617,171</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to nonurbanized areas. The State Operating Assistance is computed at 38.437574823% of the current eligible expenses for the year ended September 30, 2005.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
DETAIL OF INELIGIBLE EXPENSES
YEAR ENDED SEPTEMBER 30, 2005

Depreciation

Depreciation accrued by public operators is ineligible according to UMTA C 9050, 1A, Page V-4. Depreciation of \$87,820 was expensed on items purchased with local funds which is considered an eligible expense.

Annual Audit Fees

Any Transit Agency that expends less than \$500,000 in federal funds must subtract out the cost of the annual audit as an ineligible expense under Section 5311. Therefore, \$3800 has been treated as ineligible for Section 5311 purposes.

MPTA Dues

6.9% of MPTA dues are considered ineligible for reimbursement under State Operating Assistance and Section 5311 Operating Assistance Programs for the year ended September 30, 2005.



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

December 21, 2005

Board of Directors
Roscommon County Transportation Authority
2665 S. Townline Road
Prudenville, Michigan 48651

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2005, follows. This supplemental information was not audited by us and accordingly, we do not express an opinion on it. However, we have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SCHEDULES 9 AND 10

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MILEAGE DATA, VEHICLE HOURS AND PASSENGERS (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2005

	<u>Public Transportation Mileage</u>	<u>Vehicle Hours</u>	<u>Regular Passengers</u>	<u>Senior Passengers</u>	<u>Handicapper Passengers</u>	<u>Senior Handicapper Passengers</u>
DEMAND- RESPONSE						
1st Quarter	160,993	7,314	18,585	2,996	10,973	378
2nd Quarter	172,503	8,011	24,470	3,274	11,684	369
3rd Quarter	177,323	7,919	21,501	3,615	11,812	462
4th Quarter	<u>166,775</u>	<u>7,402</u>	<u>18,926</u>	<u>3,627</u>	<u>10,862</u>	<u>529</u>
TOTAL OPERATIONS	<u><u>677,594</u></u>	<u><u>30,646</u></u>	<u><u>83,482</u></u>	<u><u>13,512</u></u>	<u><u>45,331</u></u>	<u><u>1,738</u></u>

See Auditors' Disclaimer on Preceding Page.



Anderson & Decker, P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 21, 2005

Board of Directors
Roscommon County Transportation Authority
2665 Townline Road
Prudenville, MI 48651

Dear Board:

We have audited the financial statements of the Roscommon County Transportation Authority for the year ended September 30, 2005, and issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

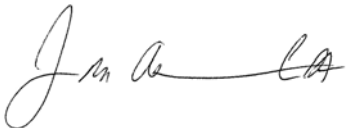
In planning and performing our audit, we considered the Roscommon County Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Roscommon County Transportation Authority's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

However, we noted certain matters that we reported to the management of Roscommon County Transportation Authority in a separate letter dated December 21, 2005.

This report is intended for the information of the audit committee, management, and the Board of Directors, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "J. Anderson", written in dark ink.

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY

REPORT TO MANAGEMENT

SEPTEMBER 30, 2005



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

December 21, 2005

Board of Directors
Roscommon County Transportation Authority
2665 S. Townline Road
Prudenville, Michigan 48651

In planning and performing our audit of the financial statements of the Roscommon County Transportation Authority, as of and for the year ended September 30, 2005, we considered the Authority's accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of the Authority and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 21, 2005, on the financial statements of the Roscommon County Transportation Authority.

We have already discussed these comments and suggestions with the Authority's personnel, and we will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS AND RECOMMENDATIONS

Third Party Testing Receipts

The Third Party Testing monies received by the Authority are co-mingled in the daily drivers receipts. This complicates reconciling the daily logs to the receipts. We recommend that the Third Party Testing activity be receipted individually to the payer and a reconciling report of the testing activity be submitted to the accounting department at least on a monthly basis.

Disbursements

Check copies are filed with a paid invoice attached. These should be filed in numerical order with an account number referenced on the invoice along with board approval. We found that the first part of the year this was being done with the practice of filing the checks in order and including account numbers on them stopping mid year. We recommend that these procedures be put back in place to allow for a proper audit trail.

Cancelled Checks

When the Authority was established, it opened its own disbursement account to allow it to pay its own bills. However, the bank does not return the cancelled checks to the Authority. To allow for a proper audit trail, the cancelled checks need to be returned to the Authority or be supplied in an electronic format. We recommend that this be done as soon as possible.

Bank Reconciliations

As part of our audit, we performed a reconciliation of the Authority's records to the County Treasurer. In addition, as of the date of the audit, the September bank reconciliation had not been done for the Disbursement Account. A reconciliation needs to be done on a timely basis each month on each account.